

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: BDIS, ID

SUBJECT: GOI NON-PAYMENT OF DEMURRAGE CHARGES ON 1975
FERTILIZER IMPORTS

1. ASSISTANT SECRETARY HUMMEL HAS RECEIVED LETTERS FROM INTERNATIONAL ORE AND FERTILIZER CORP AND PHILIPP BROTHERS (DIVISION OF ENGELHARD MINERALS AND CHEMICALS CORP), DATED JULY 15 AND OCTOBER 8 RESPECTIVELY, REPORTING A SIMILAR PATTERN OF GOI RESPONSE TO THEIR CLAIMS FOR DEMURRAGE ON 1975 SHIPMENTS OF FERTILIZER. (INTERORE CLAIMS 287,455 DOLS AND PHILIPP BROS 170,000 DOLS; THE LATTER ESTIMATES TOTAL DEMURRAGE CLAIMS BY ALL SHIPPERS, US AND NON-US, AT 2.5 MILLION DOLS).

2. GOI PATTERN OF "RUN-AROUND" IS AS FOLLOWS: GOI DEPT OF TRADE SIGNED PURCHASE CONTRACT WITH FOREIGN SUPPLIER BUT THEN APPOINTED ONE OR MORE INDONESIAN IMPORTORS (IN ONE CASE, PUSRI) TO ACT AS CONSIGNEE FOR FERTILIZER SHIPMENT; DEMURRAGE OCCURRED WHEN SHIP CHARTERED BY FOREIGN SUPPLIER WAS DELAYED IN DISCHARGING CARGO BECAUSE OF CONGESTION IN INDONESIAN PORT OR PORTS; FOREIGN SUPPLIER PAID DEMURRAGE TO SHIPOWNER WHEN UNLOADING COMPLETED IN ACCORDANCE TERMS OF CHARTER PARTY; WHEN FOREIGN SUPPLIER

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WENT TO INDONESIAN CONSIGNEE TO BE REIMBURSED FOR DEMURRAGE,

CONSIGNEE ACKNOWLEDGED CLAIM BUT SAID IT HAD NO FUNDS FOR THIS AND DIRECTED SUPPLIER TO DEPT OF TRADE; LATTER ACKNOWLEDGED CLAIM BUT SAID ITS BUDGET DID NOT PROVIDE FOR SUCH PAYMENTS AND DIRECTED SUPPLIER TO DIRECTOR GENERAL FOR MONETARY AFFAIRS IN MINISTRY OF FINANCE; LATTER REFUSES EVEN TO ANSWER CABLES.

3. INTERORE VICE PRESIDENT REPORTS THAT GOI TRADE AND FINANCE MINISTRIES HAVE FORMED AN AD HOC COMMITTEE TO TRY RESOLVING PROBLEM. NO RESULTS HAVE APPARENTLY BEEN FORTHCOMING YET.

4. INTERORE HAD BEEN ADVISED TO HAVE ITS SINGAPORE REPRESENTATIVE PRESENT FIRM'S TRADE COMPLAINT TO E/CM COUNSELOR COHN BUT HE APPARENTLY WAS UNABLE TO DO THIS UNTIL COHN HAD LEFT. BOTH INTERORE AND PHILIPP BROTHERS HAVE NOW BEEN ASKED TO HAVE THEIR SINGAPORE REPRESENTATIVES CALL ON BARDACH. BOTH COMPANIES ARE APPARENTLY LARGE ENOUGH TO WITHSTAND CASH FLOW PROBLEMS CAUSED BY GOI NON-PAYMENT BUT UNDERSTANDABLY DO NOT WISH TO ESTABLISH PRECEDENT THAT THEY CAN BE DIDDLED OUT OF WHAT IS LEGALLY OWED THEM.

5. EMBASSY IS REQUESTED, IN ANTICIPATION OF VISITS FROM INTERORE AND PHILIPP BROS REPRESENTATIVES, TO ASCERTAIN FROM DIRECTOR GENERAL OF MONETARY AFFAIRS THE PROGRESS BEING MADE TOWARD RESOLUTION OF CLAIMS PROBLEM. IF GOI OFFICIAL ACKNOWLEDGES VALIDITY OF DEMURRAGE CLAIMS, EMBOFF MAY WISH TO ALLUDE TO DIFFICULTY FOREIGN SUPPLIERS HAVE IN ACCEPTING GOI FINANCIAN DISTRESS ARGUMENT WHEN FOREIGN OIL COMPANIES ARE NOW TRANSFERRING TO GOI ADDITIONAL HUNDREDS OF MILLIONS OF DOLLARS A YEAR. ROBINSON

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